

PRIVATE COMPANY INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 20XX

*Private and Confidential*

PRIVATE COMPANY INC.  
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DECEMBER 31, 20XX

Notice to Reader

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Future Prospects

## Accountant & Co.

Chartered Professional Accountants

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New York, NY  
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### **To the Shareholders of Private Company Inc.**

#### **NOTICE TO READER**

Based on information provided by management, we have compiled the non-consolidated balance sheet of Private Company Inc. as at December 31, 20XX and the non-consolidated statements of retained earnings, income and cash flow for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

Accountant & Co.

Chartered Professional Accountants

January 30, 20XX

New York, NY

## PRIVATE COMPANY INC.

## INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 20XX

	Year 0	Year -1	Year -2
<b>Revenue</b>	<b>\$93,086</b>	<b>\$ 86,698</b>	<b>\$ 81,422</b>
Cost of Goods Sold	39,639	37,756	38,121
<b>Gross Profit</b>	<b>53,447</b>	<b>48,942</b>	<b>43,301</b>
<b>Expenses</b>			
Distribution Expenses	6,166	6,421	5,884
Marketing and Administration	30,830	26,569	23,507
Research and Development	2,026	1,931	1,764
Depreciation	2,907	2,803	2,960
<b>Earnings Before Interest and Tax</b>	<b>11,518</b>	<b>11,218</b>	<b>9,186</b>
Interest Expense	1,240	1,240	1,240
<b>Earnings Before Tax</b>	<b>10,278</b>	<b>9,978</b>	<b>7,946</b>
Taxes	1,570	2,429	2,761
<b>Net Income</b>	<b>\$8,708</b>	<b>\$ 7,549</b>	<b>\$ 5,185</b>

## PRIVATE COMPANY INC.

## BALANCE SHEET

DECEMBER 31, 20XX

	Year 0	Year -1	Year -2
<b>Assets</b>			
Cash	\$10,159	\$5,918	\$5,289
Trade and Other Receivables	14,721	14,074	12,685
Inventory	8,036	7,691	7,168
Property Plant and Equipment	21,175	20,371	19,263
<b>Total Assets</b>	<b>\$54,091</b>	<b>\$48,054</b>	<b>\$44,405</b>
<b>Liabilities</b>			
Trade and Other Payables	\$11,077	\$10,504	\$10,001
Income Taxes Payable	581	894	1,088
Long-Term Debt	20,000	20,000	20,000
<b>Total Liabilities</b>	<b>31,658</b>	<b>31,398</b>	<b>31,089</b>
<b>Shareholder's Equity</b>			
Common Stock and Additional Paid-In Capital	7,627	7,627	7,627
Retained Earnings	14,806	9,029	5,689
<b>Shareholder's Equity</b>	<b>22,433</b>	<b>16,656</b>	<b>13,316</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$54,091</b>	<b>\$48,054</b>	<b>\$44,405</b>

## PRIVATE COMPANY INC.

## CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 20XX

	Year 0	Year -1	Year -2
<b>Operating Cash Flow</b>			
Net Income	8,708	7,549	5,185
Plus: Depreciation & Amortization	2,907	2,803	2,960
Changes in Operating Assets and Liabilities:			
Trade and Other Receivables	(647)	(1,389)	(1,280)
Inventory	(345)	(523)	(470)
Trade and Other Payables	573	503	490
Income Taxes Payable	(313)	(194)	50
<b>Cash Flows from Operating Activities</b>	<b>10,883</b>	<b>8,749</b>	<b>6,935</b>
<b>Investing Cash Flow</b>			
Acquisitions of Property and Equipment	(3,711)	(3,911)	(3,005)
<b>Cash Flows from Investing Activities</b>	<b>(3,711)</b>	<b>(3,911)</b>	<b>(3,005)</b>
<b>Financing Cash Flow</b>			
Increase/(Decrease) in Long-Term Debt	-	-	-
Dividends (current year)	(2,931)	(4,209)	(4,312)
Issuance of Common Stock	-	-	-
<b>Cash Flows from Financing Activities</b>	<b>(2,931)</b>	<b>(4,209)</b>	<b>(4,312)</b>
Increase/(Decrease) in Cash and Equivalents	4,241	629	(382)
Cash and Equivalents, Beginning of the Year	5,918	5,289	5,671
<b>Cash and Equivalents, End of the Year</b>	<b>10,159</b>	<b>5,918</b>	<b>5,289</b>

## MANAGEMENT'S DISCUSSION OF FUTURE PROSPECTS

### **Revenue Growth**

Upon reviewing the company's financial performance and market conditions, we expect our revenue to grow by 6.0% for the next five years.

### **Working Capital**

We forecast our accounts receivable days and accounts payable days to be 60 days and 100 days respectively for Years 1 to 5. We expect the number of days it takes to sell our inventory to be 75 days over the same time period.

### **Costs and Expenses**

We are facing minor pressure from higher raw material costs and transportation costs, which will impact our gross margin. However, we anticipate our gross margin to be steady at 55.0% over the next five years. Distribution expense, research and development expense and depreciation are expected to remain constant for the next five years at 7.5% of sales, 2.3% of sales, and 3.2% of sales, respectively.

Marketing and administrative expenses are projected to be 32,063 in Year 1, 33,346 in Year 2, 34,680 in Year 3, 36,067 in Year 4, and 37,509 in Year 5.

### **Capital Assets**

We expect to purchase enough property, plant and equipment (PP&E) every year to maintain a capital asset turnover ratio of 4.25x. As noted above, we assume depreciation will be 3.2% of sales from Year 1 to Year 5.

**Debt and Interest**

We have no plans to issue or repay debt over the next five years. The interest expense on our debt remains at 6.2%.

**Taxes**

The applicable tax rate based on our earnings before tax is 30.0% for the coming five years. Additionally, our Income Tax Payable for Years 1 to 5 is expected to be 37.0% of income tax expense in each respective year.

**Dividends**

Our dividend payout ratio over the next five years will be 70% of net income in each respective year.